Previous references.

1896-7.
~~100~~.

(Bankg.)

B 18-1896

File No. ~~—~~ of 1896-7

Serial Nos. 1-2

Later references.

Bankg 100 of 96
Secs 3 & 4.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1–2.

countermarked

Part B. for

SUBJECT.

Advance of 4 lacs to the proposed Saltlospur Agricultural Bank.

Table of contents.

Sl. No. 1. No 35 of 10th July 1896, From the Deputy Commissioner Hazara Districts.

Submits papers re in connection with the proposed Agricultural Bank at Saltlospur & requests early orders.

Sl. No. 2. No. 5439-42 dated 14/12/1896. To the Deputy Comr. Hazara.
" Inspector Agricultural Banks
" Comptroller
" Inspector General of Registration

G. R. S. 58

Passed Orders on Sl. No 1 & sanctions the grant of Rs 400000 recommended at 4 per cent interest for current Subject to certain conditions prescribed.

J.

A. C. St.

Memo:

Letter No. 38 dated 10th July 1896 from the Deputy Commissioner of the Hassan District.

With the above letter, the Deputy Commissioner submits (in manuscript) the Memo and Articles of Association of the agricultural Bank proposed to be established at Saklespur for the benefit of 12 native Coffee Planters holding lands in 34 Villages in the Manjerabad Taluk

2. The signatures

Will be obtained in the printed form

A.

the Members affixed to the Articles of Association have not been attested as required by the form laid down for the purpose, tho' such an attestation has been obtained for the Memorandum submitted with the said Articles of Association.

The amount loaned to be restored. G.

3. The ordinary rule as laid down in para 6 of Government Proceedings No. 5038-47 dated 2nd Dec/95 Fl 274 is, that "no loan of Class IV should exceed Rs 500/ while no loan of any of the three classes should exceed Rs 1000/, nor should any Member be at any time indebted to the Bank in a larger sum than Rs 2000/ including loans of all descriptions, granted both to himself and to

* Land loans

other Members on his Security". But the Members in the present case propose to grant loans as shown hereunder.

Loan of class	IV.	Rs. 2,000/-
Do. — "	III	3,000/-
Do — "	II	15,000/-
Do — "	I	60,000/-

with a proviso that no Member should at any time be indebted to the Bank in a larger sum than 75,000 Rs including loans of all descriptions to be granted to himself & to other Members on his Security. (Please see para 42 of the Articles of association.) This requires Special Sanction.

4. The Bank is proposed to be started with a Capital of 4 lacs.

5. The accompanying

statement prepared in this office shews the probable value of the lands held by the members with existing liabilities thereon, as compared with the information furnished by the Sub Registrars as regards 3 cases.

6. The value of the lands has been estimated by the members themselves and no Government officer appears to have inspected the lands and satisfied himself as to the correctness or otherwise of the estimates framed by the members, but the Auditor says that he is satisfied of its correctness though on account of the rains, he was not able to inspect the lands.

Neither the Auditor nor any other responsible officer has verified & valued the lands the valuation should now be made by the Director of Agricultural Banks with the aid of a respectable Panchayet.

7. The aggregate value

of the property being Rs. 7,60,850-...against an encumbrance of Rs. 2,66,900-...; the Deputy Commissioner thinks that the advance of 4 lacs applied for by the Members may safely be granted at 4 per cent interest as in the case of similar Banks already opened.

The objects of the loan asked for are (1) the discharge of existing liabilities & (2) the raising of funds for current expenses and future requirements.

The Deputy Commissioner however, submits that while para 74 of the articles of association provides for the recovery of loans granted by Government, Section 194 of the Land Revenue Code therein referred to lays down the procedure for the recovery of such loans, no mention being made anywhere as to the

The existing debts are all really discharged, the documents connected therewith are all duly returned back, that in the case of all large loans the Bank obtains full particulars of the debts discharged & documents returned & duly cancelled, and that all these requirements are

the period during which
the Government loan should
run and the priority of
Government claim over
the property of the Members.
The Dy Commissioner therefore
submits that under existing
circumstances, the Govt
in making such loans
would not stand on any
better footing than an
ordinary creditor, except
that the loan may be
recovered by the Summary
process prescribed for the
realization of Land Revenue,
the previous debts of the
members of the Bank secured
on their immovable property
having a prior claim over
the Government loan as
regards such property. If
this view is correct, the
Dy Commissioner requests

lodged in the
Treasury by
the Bank. Govt
does not require
any mortgage
property to be
mortgaged to
as security, b
in the case of
such excep
large advan
~~from~~ ~~time~~ to ~~time~~
it suits ag
to secure
documents
the borrow
members
to Govt
same in
Treasury -

Sanction for the formation of the agricultural Bank at Sarkeshpur on the following conditions.

(1) To get the whole of the previous debts of the members of the Bank discharged and obtain from them a bond duly registered hypothecating all their immovable property for the Govt. loan.

(2) To arrange for the repayment of the Govt. loan within 10 years by fixed annual instalments, the interest on the balance of the previous year being paid annually.

The Commissioner adds that provision may be made in the bond for periodical inspection by Govt. officers of the Dept. of Plantations &c in order to ensure careful & economical working of the Bank and the hypothecation bond will be sufficient security for the Govt. loan.

Memorandum Para-9

This is merely the Bank's business with Govt. which will have priority over subsequent encumbrances. Such mortgage deeds are lodged with us. These safeguards are sufficient when combined with watchfulness on the part of the Registering officer.

Sanction for the formation of the Agricultural Bank at Lockerbie on the following conditions.

(1) To get the whole of the previous debts of the members of the Bank discharged and obtain from them a bond duly registered hypothecating all their immovable property for the Govt. loan.

(2) To arrange for the repayment of the Govt. loan within 10 years by fixed annual instalments of the interest on the balance of the previous year being paid annually.

The Commissioners adds that provision may be made in the hypothecation bond for periodical inspection by Govt. Officers of Plantations &c in order to ascertain that the Bank and the members are careful & conscientious in the performance of their duties.

Minute No. 11

This is necessary as the Bank would have priority over subsequent encumbrances. Such mortgages are lasted north. Here safeguards are sufficient when complied with.

order that their security for the repayment of the Govt. loan may not be impaired.

Submitted for orders.

DB 16/7/96

N 17/7/96

Of course, occasional inspection on the part of Govt officers, both of the Bank and of the Directors, & perhaps of its members, will be permitted upon - no mention of it need be made in any document. The conditions & limitations of the grant of advances by Govt - ll.

Remember

Mr Ramachandra -

Please draft an order embodying my remarks above and authorizing the grant of the advance asked for, after the Dist Collr shall have satisfied himself as regards the valuation of the members of this Bank & the Correctness of

Drafted. the valuation of their lands - ll

DB 14/12/96

13/12/96

Gen. Serial No. 30.

REVENUE Gl. No. 301 K.No. 38 18 JUL. 01 DEWAN'S OFFICE

189*6

From The Dy Commissioner, Hassan District.

To

The ~~Chief~~ Secretary to the Government ~~Dewan~~ of Mysore.

General & Revenue Depots Bangalore

Banking 3/18 ~~100~~ of 1896-7
Se. No. 1

Dated

Despatched 10th July 96

Received

Enclosures No. 1 File of papers.

General No. 38

No. Secy

In reply to

SUBJECT.

Submitting papers &c in connection with the proposed Agricultural bank at Sakleshpur and requesting early orders &c

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References (to be entered only in the Dewan's Office.)

Instructed vide Memo.
D D
16/7/96

Deputy Commissioner's Office,
Hassan District.

Dated Hassan 10th July 1896.

No 38
Secy

From,- A. Krishnadasami Iyengar Esqr.
Dy Commissioner,
Hassan District.

To The Secretary to the Government of
Mysore
General and Revenue Departments
Bangalore.

Sir,

I have the honor to forward in original the accompanying file of papers relative to a proposal for forming an Agricultural Bank for the benefit of Coffee Planters in the Arsikere Taluk. The observations of the Dewan in his Dassarah address of 1894, under the head Agricultural Banks, on the state of the Public credit and the difficulty of obtaining timely loans for agricultural operations, are peculiarly applicable to Coffee Planting industry, owing to the large outlay which it demands, the importance of timely

and

2/

and prompt payments and the high rate of interest at which alone working capital has to be obtained and which greatly trenches on what should be the legitimate profits of the Planter. Native Planters particularly suffer from this state of public credit. Owing to the peculiarity of the law relating to the Hindu family system, and imperfect knowledge of native ways on the part of European Banking firms, Native Planters have not been obtaining as freely as Europeans, credit from European Banks. Various are the exactions of the money lender. He charges high rates of interest varying from 1 to 2 per cent. besides an initial deduction of 5 per cent on the amount to be lent. He pairs in weight of Coffee to be sold and in price also as he generally secures an advantage of about 4 annas per maund lower than the current price. With all these exactions the money is given out in inconvenient instalments and not always in time, to the serious detriment of work, the supply failing sometimes when the planting

planting operations are in full swing. Interest is charged on the full amount from the date of bond, though the instalments may have been actually advanced long after. It is not necessary to dwell much on the great difficulties under which the planting industry is now groaning from the absence of the aid of a healthy public credit. It is, in short, a crushing disadvantage, the removal of which has a prominent claim on the enlightened policy which has inaugurated the system of agricultural Banks.

2. The amount which has to be advanced by Government as a loan to the proposed Bank is a large sum of four lacs but not larger than the needs of the extensive plantations for the working and improvement of which it has to be applied, demand or the security which the estates of the owners afford to Government. The members of the Bank are the leading native Planters of Dumjanabad and are men of substance and credit. Particulars of their property and their liability, the latter under their

their certificate, will be found in the enclosed sealed cover. Statements A. B and C give fuller particulars of their property. Some of them are members of undivided families and it will be necessary to bind, for the repayment of the Government loan, the other members likewise. I think Government may without apprehension and with every assurance of safety, lend the money required by the Bank, at 4 per cent, as in the case of similar Banks already opened.

3. The articles of association are all in the prescribed form and may be accepted, but I have to state a doubt which I feel and on which I beg the favor of instructions. In previous correspondence and papers on the subject of such Banks, I find no provision as to the period during which the Government loan is to run and when or how it is to be repaid to the Government. Again, mere personal credit of the members, however respectable or solvent, is

is not sufficient security for Government money. In the articles of association I find nothing to invalidate a private conveyance of their property by members of the Bank which cannot but materially affect the security for the Government loan. It is true that such a dealing with the property is prohibited and it would constitute a breach of article 72, involving liability of the loan to be recalled. But the conveyance itself would not be invalid as regards the purchaser. The only provision I find in the printed articles of association bearing on the subject of the recovery of the loans, is para 74. Reading section 194 of the Land Revenue Code therein referred to, I think it relates to mere procedure for the recovery and it is doubtful whether the Government loan would be a prior charge. The Government in making its loan would not stand on any better footing than an ordinary creditor except that the loan may be recovered by the summary process

prescribed

prescribed for the realization of Land Revenue. Indeed if the previous debts of the members of the Bank, secured on their immoveable property, be not discharged, those debts must have priority over the Government loan as regards such property. Indeed by so much as such debts remain undischarged, their property is the poorer as security for the Government loan. I state these views with diffidence as I am afraid lest I should be making some serious mistake, as regards the principle involved in the question. If, however, I am right, it would be necessary in sanctioning the Lakhesper Agricultural Bank.

(1) To get the whole of the previous debts of the members of the Bank discharged and obtain from them a bond duly registered hypothecating all their immoveable property for the Government loan; and

(2) To arrange for the repayment of the Govern-ment loan within 10 years by fixed annual instalments

instalments, the interest on the balance at the end of the previous year being paid annually. Ten years is a sufficiently long period to enable the Gentlemen of the proposed Bank to stand on their own legs, if they manage their affairs with prudence. Within that period they must be in a position to save up their own capital or to inspire the public with such confidence in the stability of the Bank that deposits for carrying on its transactions may freely flow in. Government loan for an indefinite period cannot but demoralize and hence my proposal to limit the term to 10 years. Provision may also be made in the hypothecation bond for periodical inspection of Plantations, estates and immoveable property by the Deputy Commissioner or any Officer or expert named by him for the Satisfaction of Government that they are maintained in a State of efficiency so that their Security for the repayment of the Government loan may not

not be impaired.

4. If Government approve of these views I beg that early orders may be passed for registering the Bank under the Companies Act and for further needful action for starting the Bank. An extract from the map of the Dhanjarabad Taluk is submitted.

I have the honor to be,
Sir,
Your most obedient Servant
A Chatterjee
Dy Commissioner

(6)

Draft Letter

SECRETARIAT SIDE

Read: —

Letter No. 38 dated 10th July 1896 from the Deputy Commissioner of the Kasaan District.

Remarks

No. S-439-42 / R-4-45-95 / 14.12.95 / 16/6

In file R 453

Banking 18 of 1896-7

Sl. No. 2.

Order thereon. — It

With the above letter the Deputy Commissioner submits (in manuscript) the Memo: and Articles of Association of the Agricultural Bank proposed to be established at Sakleshpur by Sundaketa Seetakanteyya and 11 Other native Coffee Planters holding lands in 34 Villages of the Munjerabad Taluk and 3 Villages of the Belur Taluk. The Signatures

On perusal of the papers submitted, the Govt first make the following Observations: —

(1). The signatures

of the members affixed to the Articles of Association have not been attested as required by the form laid down for the purpose. This omission should be supplied, the Memo and the Articles of Association being obtained in printed form.

(2) The Bank is proposed to be started with a Capital of 4 lacs. The aggregate value of the property held by the Members being Rs 760,850/. ~~with~~ with an incumbrance of Rs 266,900-0-0. the Deputy Commissioner thinks that the advance of 4 lacs applied for by the Members may ~~be~~ be granted at 4 per cent interest as in the case of similar Banks already opened. ~~Government~~ ~~observe that neither the~~

The value of the lands has been Estimated by the Members themselves. Neither the

Circulars nor any other responsible Officer has inspected and valued them ~~the Lands~~. The valuation ~~shall therefore be~~ now be made by the Inspector of Agricultural Banks with the aid of a respectable Panchayet

Add initials 11.

& with special reference to the market value of the lands as ascertained from the Books of the Registration Department

(3) The grant of loans is proposed to be regulated, not according to the limits laid down in para 6 of Government Proceedings No 5038-47 dated 2nd December 1895, but according to the scale hereunder ~~Given~~ Given: —

Class I, ~~Loans~~ on the security of immovable property — Rs 60,000/.

Class II, on joint Pro: notes — Rs 15,000/.

Class III, on joint instalment Bonds — Rs 30,000/.

Class IV, On "Mubadala" or hand loans, Rs 2,000/.

~~No case however~~

~~is of exception~~

with a proviso that no member shall at any time be indebted to the Bank in a larger sum than Rs: 75,000/- including loans of all descriptions granted to himself and to other members on his security.

~~The~~ The case is fully covered under the last sentence of para 6 of Government Pro: No. 5038-47 dated 2nd December 1895 FC 274.

The case appears to call for Exceptional treatment,

the objects with which the ~~Bank is proposed to be started~~ advance is applied for by the members ~~are~~ having in any. (1) the discharge of existing liabilities and (2) the raising of funds for current expenses and future improvements.

5. Under these circumstances

the Government are pleased to sanction the grant of Rs 4,00,000 recommended by the Deputy Commissioner at 4 percent interest per annum, Subject to the condition that the Inspector of Agricultural Banks shall have satisfied himself as to the solvency of the members and the correctness of the valuation of their lands

× × × × ×

The grant of loans under classes II, III, & IV as proposed by the members is however unduly high. They should be reduced to the following limits.

Class II — 5,000/.
Class III — 1,500/.
Class IV — 1,000/.

3 A fresh memorandum and Articles of association on the lines above indicated should be obtained from

No money should be advanced until

I forward a report to that effect to the Dy Comr.

The amount should then be advanced in such instalments as the Dy Comr may consider proper. Interest should be recovered half yearly on 30th June & 31st December commencing from the Date of each instalment

the Members and duly registered.:

4. As regards the doubt expressed by the Deputy Commissioner as to the priority of Government claim over the property of the Members, in the absence of any deeds of hypothecation in favor of Government, Government observes that it is not their wish that any immovable property should be mortgaged to them as security, but in the case of such exceptionally large advances as the present, which is applied for mainly for the discharge of existing liabilities, &c., they expect Agricultural Banks to secure proper documents from the borrowing Members and to deposit them in Public Treasuries. This safeguard

which

which secures to the Bank priority over subsequent encumbrances coupled with watchfulness on the part of the Bank and constant careful supervision on the part of the Inspector and other Government officers is considered sufficient for the present.

5 The Inspector should therefore see that in the present case, all the existing debts are really discharged, that the documents connected therewith are all duly taken back and that in the case of all large loans to its members, ~~the Bank duly secures~~ duly registered Deeds of hypothecation together with title deeds and

are secured by the Bank
discharged Bonds, and
lodged ~~them~~ in the Government
Treasury.

C
14-12-96
Secretary.

R. and C
14-12-96

R. B.
14/12/96

14/12/96

To ✓ The Deputy Commissioner
Assam District, returning
✓ Bonds.
Inspector Agricultural
Banks.
✓ Comptroller.
Inspector General
of Registration.

READ:—

Letter No. 38, dated 10th July 1896, from the Deputy Commissioner of the Hassan district.

Banking 100 of 96. Sec. No. 2.

No. 5439-42—~~H F~~ 15-98, DATED, BANGALORE, 14TH DECEMBER 1896.

ORDER THEREON.—With the above letter, the Deputy Commissioner submits (in manuscript) the Memo and Articles of Association of an Agricultural Bank proposed to be established at Saklespur by Sundekere Srikantaiya and eleven other native coffee planters holding lands in 34 villages of the Manjarabad taluk and three villages of the Belur taluk. On perusal of the papers submitted, the Government first make the following observations.

(1) The signatures of the members affixed to the Articles of Association have not been attested as required by the form laid down for the purpose. This omission should be supplied, the Memo and the Articles of Association being obtained in printed form.

(2) The Bank is proposed to be started with a capital of four lakhs. The aggregate value of the property held by the members being Rs. 7,60,850 with an encumbrance of Rs. 2,66,900, the Deputy Commissioner thinks that the advance of four lakhs applied for by the members may be granted at 4 per cent interest as in the case of similar Banks already opened. The value of the lands has been estimated by the members themselves. Neither the Amildar nor any other responsible officer has inspected and valued them. The valuation should now be made by the Inspector of Agricultural Banks with the aid of a respectable panchayet and with special reference to the market value of the lands as ascertained from the books of the Registration Department.

(3) The grant of loans is proposed to be regulated not according to the limit laid down in para 6 of Government Proceedings No. 5038-47—Fl. 274, dated 2nd December 1895, but according to the scale hereunder given:—

Class I, on the security of immovable property Rs. 60,000,
Class II, on joint pro-notes Rs. 15,000,
Class III, on joint instalment bonds Rs. 3,000,
Class IV, on "Mubadala" or hand loans Rs 2,000,

with a proviso that no member shall at any time be indebted to the Bank in a larger sum than Rs. 75,000 including loans of all descriptions granted to himself and to other members on his security. Under the last sentence of para 6 of Government Proceedings No. 5038-47—Fl. 274, dated 2nd December 1895, the case appears to call for exceptional treatment, the objects with which the advance is applied for by the members being (1) the discharge of heavy existing liabilities and (2) the raising of funds for current expenses and future improvements.

2. nder these circumstances the Government are pleased to sanction the grant of Rs. 4,00,000 recommended by the Deputy Commissioner at 4 per cent interest per annum subject to the condition that no money should be advanced until the Inspector of Agricultural Banks shall have satisfied himself as to the solvency of the members and the correctness of the valuation of their lands and made a report to that effect to the Deputy Commissioner. The amount should then be advanced in such instalments as the Deputy Commissioner may consider proper. Interest should be recovered half yearly on 30th June and 31st December commencing from the date of each instalment. The grant of loans under Classes II, III and IV as proposed by the members is however unduly high. They should be reduced to the following limits:—

Class II, 5,000,
Class III, 1,500, and
Class IV, 1,000.

Financial, dated 14th December 1896.

3. A fresh Memorandum and Articles of Association on the lines above indicated should be obtained from the members and duly registered.

4. As regards the doubt expressed by the Deputy Commissioner as to the priority of Government claim over the property of the members in the absence of any deeds of hypothecation in favor of Government, Government observe that it is not their wish that any immovable property should be directly mortgaged to them as security, but in the case of such exceptionally large advances as the present which is applied for mainly for the discharge of existing liabilities, &c., they expect Agricultural Banks to secure proper documents from the borrowing members and to deposit the same in public treasuries. This safeguard, which secures to the Bank priority over subsequent encumbrances, coupled with watchfulness on the part of the Bank and constant careful supervision on the part of the Inspector and other Government officers, is considered sufficient for the present.

5. The Inspector should, therefore, see that in the present case all the existing debts are really discharged, that the documents connected therewith are all duly taken back, and that in the case of all large loans to its members, duly registered deeds of hypothecation together with title-deeds and discharged bonds are secured by the Bank and lodged in the Government Treasury.

C. SREENIVASIENGAR,
Secy. to Govt., Gen. & Rev. Depts.

To—The Deputy Commissioner, Hassan District, returning enclosures.
The Inspector of Agricultural Banks.
The Comptroller to the Government of Mysore.
The Inspector General of Registration.

Exd—H.A.R.

1896-97

GOVERNMENT OF MYSORE

FINANCIAL

PROCEEDINGS

Dated 14th December 1896

No. 5439-42 / R.F. 115-92

Sanctioning an advance of Rs. 4,00,000 subject to certain conditions for the Agricultural Bank proposed to be established at Saklespur, Manjarabad taluk, and laying down instructions in regard to the preservation of documents, &c., connected with Agricultural Banks in public treasuries.

M.G.C.P.B.—5-1-97—120.